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October 10, 2008

TO: Supervisor Yvonne B. Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Maria Oms*  
Acting Auditor-Controller *FOR*

SUBJECT: **LOS ANGELES CENTERS FOR ALCOHOL AND DRUG ABUSE  
CONTRACT REVIEW – A DEPARTMENT OF PUBLIC HEALTH  
HIV/AIDS CARE AND PREVENTION SERVICES PROVIDER**

We completed a fiscal review of Los Angeles Centers for Alcohol and Drug Abuse (L.A. CADA or Agency), a Department of Public Health (DPH) HIV/AIDS care and prevention services provider.

**Background**

The DPH's Office of AIDS Programs and Policy (OAPP) contracts with L.A. CADA to provide health education risk reduction outreach, treatment adherence and substance abuse residential rehabilitation services. L.A. CADA is located in the First District.

At the time of our review, L.A. CADA had three contracts with OAPP. The County paid L.A. CADA approximately \$47,000 for one fixed fee contract and approximately \$128,000 for two cost reimbursement contracts from March 2006 to March 2007.

**Purpose/Methodology**

The purpose of our review was to ensure that L.A. CADA appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of L.A. CADA's accounting records, internal controls and compliance with the contract and applicable federal and State fiscal guidelines governing the Comprehensive AIDS Resource

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Emergency Act. In addition, we determined whether the Agency provided services to eligible participants.

### **Results of Review**

Overall, the Agency maintained documentation to support the services provided. The Agency also appropriately recorded and deposited cash receipts timely in the Agency's bank account and appropriately allocated shared costs. However, the Agency did not maintain documentation to support \$650 in program expenditures and billed OAPP \$1,368 in unallowable costs related to the cost reimbursement contract. L.A. CADA management agreed to repay OAPP for undocumented and unallowable costs.

The details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with L.A. CADA on July 9, 2008. In their attached response, the Agency agreed with the findings and recommendations. We also notified DPH of the results of our review.

We thank L.A. CADA for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer  
Jonathan E. Fielding, Director and Health Officer, Public Health  
Brenda Wiewel, Executive Director, L.A. CADA  
Public Information Office  
Audit Committee

**HIV/AIDS CARE AND PREVENTION SERVICES  
LOS ANGELES CENTERS FOR ALCOHOL AND DRUG ABUSE  
FISCAL YEAR 2007-08**

**ELIGIBILITY**

**Objective**

Determine whether the Los Angeles Centers for Alcohol and Drug Abuse (L.A. CADA or Agency) provided services to individuals that meet the eligibility requirements of the Office of AIDS Programs and Policy (OAPP).

**Verification**

We reviewed the case files for ten program participants that received services from February to June 2007 for documentation to confirm their eligibility for OAPP services.

**Results**

All program participants' case files contained documentation to support participants' eligibility to receive program services.

**Recommendation**

**There are no recommendations in this section.**

**CASH/REVENUE**

**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's financial records and deposited timely in the Agency's bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's April 2007 bank reconciliation.

**Results**

The Agency maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner. The Agency also appropriately completed their monthly bank reconciliations.

**Recommendation**

There are no recommendations in this section.

**EXPENDITURES****Objective**

Determine whether program related expenditures charged to OAPP under the cost reimbursement contracts are allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and other documentation to support 11 non-personnel expenditure transactions, totaling \$2,946, charged to OAPP from June 2006 to July 2007.

**Results**

L.A. CADA did not maintain appropriate documentation to support \$650 in program expenditures. In addition, L.A. CADA charged OAPP for \$1,368 (\$1,278 + \$90) unallowable program costs. Specifically, L.A. CADA billed OAPP:

- \$650 for vehicle lease and accounting expenditures that were not supported by receipts or invoices.
- \$1,278 for educational materials that were for a prior contract period which is not an allowable program expenditure.
- \$90 for professional services related to the abatement of a penalty which is not an allowable program expenditure.

**Recommendations**

**L.A. CADA management:**

- 1. Repay DPH \$2,018 (\$650 + \$1,278 + \$90).**
- 2. Ensure supporting documentation is maintained for all OAPP expenditures.**

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether the Agency's fixed assets and equipment purchases made with OAPP funds are used for the program and are safeguarded.

We did not perform testwork in this area as the Agency did not charge OAPP for any fixed asset or equipment.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures are appropriately charged to OAPP. In addition, determine whether personnel files are maintained as required.

**Verification**

We traced payroll expenditures for five (37%) of nineteen employees totaling \$7,632 during March 2007 to the Agency's payroll records and time reports. We also reviewed the personnel files for eight employees assigned to the OAPP program.

**Results**

L.A. CADA appropriately charged payroll expenditures to the OAPP program. In addition, the Agency's personnel files were properly maintained.

**Recommendation**

**There are no recommendations for this section.**

**COST ALLOCATION PLAN****Objective**

Determine whether L.A. CADA's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency from May 2006 to June 2007 to ensure that expenditures were properly allocated to the Agency's appropriate programs.

**Results**

L.A. CADA's Cost Allocation Plan was in compliance with the County contract requirements. In addition, the Agency appropriately allocated shared costs.

**Recommendation**

**There are no recommendations in this section.**



Los Angeles Centers for Alcohol and Drug Abuse  
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September 2, 2008

Wendy Watanabe, Acting Auditor-Controller  
Department of Auditor-Controller  
County of Los Angeles  
500 West Temple St., Room 525  
Los Angeles, CA 900012

Subject: Los Angeles Centers for Alcohol and Drug Abuse or L.A. CADA  
Audit Fiscal Year 2007/2008

Dear Ms. Watanabe:

On behalf of Los Angeles Centers for Alcohol and Drug Abuse (L.A. CADA), I would like to respond to the findings and recommendations in our recent audit of fiscal year 2007/2008 as documented in the final audit report. The agency is in agreement with the overall findings.

In regards to the finding of unsupported documentation for OAPP expenditures in the amount of \$2,078.00, please note that a review of our financial documents indicated that these costs were billed and approved by L.A. CADA as expenses. We have made internal changes in billing procedures, including additional reviews prior to submittal of billings, to ensure that all future billings to OAPP are fully supported by receipts, invoices, and/or cancelled checks to ensure that this does not recur.

Thank you in advance for your assistance with this matter and I look forward to hearing from you soon. If you have any questions or need additional information, I can be reached at 562-906-2686 ext. 103.

Sincerely,

A handwritten signature in black ink, appearing to read "Brenda Wiewel", is written over a horizontal line.

Brenda Wiewel, LCSW  
Executive Director

Cc: Juan Navarro, L.A. CADA Finance Director  
Maria Mc Gloin, OAPP Auditor

